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IN THE

Supreme Court of the United States

OCTOBER TERM, 1932.

No. 565.

PHILIP HURN and PERCY MORGAN, JR.,
Petitioners.

vs.

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS and SAM H. HARRIS.

BRIEF FOR RESPONDENT FULTON OURSLER ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

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BRIEF FOR RESPONDENT FULTON OURSLER ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

Opinions Below.

The *per curiam* opinion of the Circuit Court of Appeals (R. 45) has not been reported.

Jurisdiction.

This appeal is taken from the decree of the Circuit Court of Appeals which was entered on November 14th, 1932. Petition for certiorari was filed on December 22, 1932. Jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13th, 1925. The petition was granted on January 23, 1933.

Question Presented.

The question is whether the Circuit Court of Appeals was correct in affirming that portion of the decree of the District Court which held that the Court was without jurisdiction to entertain a count of unfair business practice and unfair competition in a copyright infringement case where there was found to be no infringement and where there is no diversity of citizenship.

Statement.

The petitioners alleged copyright infringement and unfair competition with respect to a dramatic composition composed by them and entitled "The Evil Hour". It was alleged that a drama entitled "The Spider", composed and produced by the respondents, was in certain respects an appropriation of "The Evil Hour."

The complaint relied upon two versions of "The Evil Hour", one of which was protected by statutory copyright (R. 3 and 17), the other of which was not (R. 15 and 18). The version of the respondents' play "The Spider" which was complained of was not protected by statutory copyright (R. 4-7 and 19).

There was no diversity of citizenship between the parties (R. 2-3).

The District Court found that the respondents' play "The Spider" did not infringe in any way the petitioners' copyright (R. 19).

The District Court also concluded that in view of the lack of copyright infringement the court was without jurisdiction to entertain allegations with respect to unfair competition and to admit in evidence any proof thereof, in so far as such was based upon claims other than a claim of violation of the Copyright Law (R. 19).

The petitioners appealed to the Circuit Court only on the question as to whether or not the District Court had jurisdiction to entertain the alleged cause of action of unfair competition; no appeal was taken from the finding of lack of infringement (R. 22).

The Circuit Court affirmed the decree of the District Court (R. 26).

The issue is whether, in the absence of diversity of citizenship and after a finding of a lack of copyright infringement, a federal court has jurisdiction to entertain a count of unfair competition between (a) a copyrighted literary composition and an uncopyrighted literary composition, and (b) two uncopyrighted literary compositions.

ARGUMENT.

POINT I.

In the absence of diversity of citizenship, the Federal Courts lack jurisdiction to entertain a count of unfair competition when coupled with a count of copyright infringement where the Court finds no infringement.

A. The parties are residents of the same state. The complaint does not allege a sum in controversy of $3000. Jurisdiction depended upon the alleged infringement of copyright.

The court has held that this was an unfounded claim. "But", say the appellants (of course not in words but neces-

sarily in thought), "We amended our complaint by adding a conclusion that the same acts constitute unfair competition. We cannot prove it because the court found against us on the facts, but we brought our suit in good faith. Therefore, the court's denial of jurisdiction was a technical error."

The appellants are wrong in their contention that the court had jurisdiction of an unfair competition claim. As analogies, they cite cases in some districts involving patents and trade-marks where a court of equity having jurisdiction, considers a count of unfair competition to avoid multiplicity of suits. Apparently their research has not turned up a copyright case where any court has done anything of the kind—and for good reason, for the same principle is not involved. Sometimes in a patent or trademark case the facts relating to the infringement may prove a case of unfair competition. The statutory suit might fail but the same facts might entitle the plaintiff to recover. There might then be a sound reason for a court of equity to conclude the case instead of compelling a complainant to bring another suit. Even on this, however, a contrary position was taken by the Supreme Court of the United States in *Leschen Rope Co.* v. *Broderick*, 201 U. S. 166.

But imagine a trade-mark case in which a plaintiff claimed that a label depicting an elephant infringed one of a donkey, and the plaintiff insisted upon the jurisdiction of the court because he had added a conclusion that there was unfair competition! That is this case.

It is submitted that the facts in a copyright case, particularly where there is no allegation or proof of the use of the same title, could not support a claim of unfair competition. Other facts must be proved. Thus the cases on which the plaintiffs rely are not applicable here. It is thus not strange that apparently no one has heretofore—according to reported cases—had the temerity to make this contention in a case involving copyright.

And this even leaves out of consideration the fact that the plaintiffs' claim is for an infringement of a revised, uncopyrighted version of his play.

B. This Court has many times ruled that the jurisdiction exercised by Federal Courts is narrow in scope and cannot be extended to the jurisdiction demanded by the petitioners.

Before considering cases of the United States Supreme Court, we wish to refer to *Ingrassia* v. *A. C. W. Mfg. Corp.* (1928) 24 Fed. (2d) 703, as a clear illustration of the principle involved. There, as in this case, there was no diversity of citizenship. The bill set forth an infringement of patent and contained allegations which would support a cause of action for unfair competition. The bill of complaint on the patent infringement was insufficiently alleged. Injunction had been sought thereon as well as on the count of unfair competition. The cause of action as to unfair competition was dismissed "because of lack of diversity of citizenship *and want of jurisdiction*". The court there said (704):

> "This court and the District Courts of this circuit have consistently held that, in the absence of diversity of citizenship between the litigants, a patent infringement suit or a statutory trade-mark infringement may not be joined with a suit for unfair competition in trade. Gerrard v. Cary (D. C.) 9 F. (2d) 949, affd. (C. C. A.) 9 F. (2d) 957; Planten v. Gedney (C. C. A.) 224 F. 382; Tyler Co. v. Ludlow-Saylor Wire Co. (C. C. A.) 212 F. 156; Thaddeus Davids Co. v. Davids (C. C. A.) 192 F. 915; Natl. Casket Co. v. N. Y. & Bklyn. Casket Co. (C. C.) 185 F. 533. The Supreme Court has ruled likewise in Geneva Furniture Co. v. Karpen, 238 U. S. 254, 35 S. Ct. 788, 59 L. Ed. 1295; Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U. S. 446, 31 S. Ct. 456, 55 L. Ed. 536; A. Leschen, etc., Co. v. Broderick Bascom, etc., Co., 201 U. S. 166, 26 S. Ct. 425, 50 L. Ed. 710. The cause of action as to unfair competition was properly dismissed."

As to this case appellants said in their brief in the Court below:

> "This decision was necessarily correct because, since the cause of action for patent infringement was not sufficiently alleged in the first instance, obviously no jurisdiction obtained for the unfair competition aspect of the case."

We respectfully submit that the same is the situation here. In the *Ingrassia* case the cause of action for patent infringement was not sufficiently alleged, while in the case at bar copyright infringement was not proved. We are unable to see any distinction in principle between lack of allegation and lack of proof. If in the one case the court has no jurisdiction of a claim of unfair competition, the same must be true in the other.

Other cases upholding the same principle are:

Burt v. *Smith* (1895), 71 Fed. 161;
Keasby Co. v. *Cary Mfg. Co.* (1901), 113 Fed. 432;
Hutchinson, Pierce & Co. v. *Loewy* (1908), 163 Fed. 42;
Bernstein v. *Danwitz* (1911), 190 Fed. 604;
Davids Co. v. *Davids* (1912), 192 Fed. 915;
Mallinson v. *Ryan* (1917), 242 Fed. 951.

The cases in the United States Supreme Court are along the same line.

In *Martin's Administrator* v. *Baltimore and Ohio Railroad Company*, 151 U. S. 673, the court said, at page 687:

> "The recent acts of Congress have tended more and more to contract the jurisdiction of the courts of the United States, which had been enlarged by intermediate acts, and to restrict it more nearly within the limits of the earliest statute. *Pullman Car Co.* v. *Speck*, 113 U. S. 84; *Smith* v. *Lyon*, 133 U. S. 315, 320; In *re Pennsylvania Co.*, 137 U. S. 451, 454; *Fisk* v. *Henarie*, 142 U. S. 459, 467; *Shaw* v. *Quincy Mining Co.*, 145 U. S. 444, 449."

The limitation of jurisdiction is an absolute one which cannot be enlarged by the courts themselves or by the parties. Thus, in *Chicago, Burlington and Quincy Railway Company* v. *Willard*, 220 U. S. 413, we see that the rule of limitation is inflexible and without exception. It will be enforced even at the instance of the party who first committed his case to

the federal court. Lack of jurisdiction cannot be waived or conferred by consent.

New Marshall Engine Co. v. *Marshall Engine Co.*, 223 U. S. 473;
Henry v. *Dick Co.*, 224 U. S. 1, 14, 15.

In *Leschen Rope Co.* v. *Broderick*, 201 U. S. 166, plaintiff alleged trade-mark infringement and unfair competition. The parties were citizens of the same state. On demurrer the court held the trade-mark invalid on the pleadings and announced that it therefore had no jurisdiction over the count of unfair competition, saying at page 172:

> "Nor can we assume jurisdiction of this case as one wherein the defendant had made use of plaintiff's device for the purpose of defrauding the plaintiff and palming off its goods upon the public as of the plaintiff's manufacture. Our jurisdiction depends solely upon the question whether plaintiff has a registered trade-mark valid under the act of Congress, * * *."

In *Warner* v. *Searle & Hereth Co.*, 191 U. S. 195, the suit involved trade-mark infringement and unfair competition. The court said (p. 205):

> "* * * the courts of the United States cannot take cognizance of an action on the case or a suit in equity between citizens of the same State, 'unless the trade-mark in controversy is used on goods intended to be transported to a foreign country, or in lawful commercial intercourse with an Indian tribe.'"

This was quoted with approval in *Standard Paint Co.* v. *Trinidad Asphalt Co.*, 220 U. S. 446.

See also

Geneva Furniture Co. v. *Karpen*, 238 U. S. 254;
Stark Bros. Co. v. *Stark*, 255 U. S. 50;
Elgin Watch Co. v. *Illinois Watch-Case Co.*, 179 U. S. 665.

C. The cases relied on by the petitioners.

In *Moore* v. *New York Cotton Exchange,* 270 U. S. 593, cited extensively in petitioners' main brief in support of their petition, the plaintiff sued under the Anti-Trust Laws. The defendant counter-claimed on a common law question arising out of the transaction which was the subject matter of the suit. The court dismissed the complaint and upheld the counter-claim, holding under Equity Rule 30 that the counter-claim was of that type which *must* be pleaded and was not of the type which might be the subject of an independent action. We contend that the decision in the *Moore* case must be strictly limited to the facts of that case and that it is not analogous to the case at bar. We are not here governed by any Equity Rule nor are we considering a counter-claim. But even conceding the analogy of a counter-claim, it is obvious that the situation at bar more nearly resembles a counter-claim "which might be the subject of an independent suit in equity" as to which the court in the *Moore* case specifically states at page 609 that "federal jurisdiction independent of the original bill must appear".

The petitioners also rely on the cases typified by *Siler* v. *Louisville & Nashville R. R. Co.,* 213 U. S. 175,—cases which involve both constitutional and local issues and in which the courts have rendered decisions only on the local questions.

It is submitted that the above cases are not in point.

POINT II.

In the rare cases where a contrary rule has been applied, it has been limited to cases where the same proof is applicable both to the infringement and the unfair competition charge, and that is not this case.

The claim is made that an uncopyrighted revision of The Evil Hour was submitted to one of the defendants and that the production of an uncopyrighted version of The Spider constituted unfair competition. Since the court held that there was nothing to the claim of copyright infringement, the case then before the court involved two literary compositions each of which was protected only under the common law. Plaintiffs then attempt to go further and prove unfair competition as between the two uncopyrighted scripts. Their success on the count of unfair competition would result only from evidence on a purely common law matter, not a federal statutory one. It would not be similar to the evidence arising on the copyright question. A new case would have to be built. It would be necessary to prove, among other things, some likelihood that someone would be deceived. *Newcomer & Lewis* v. *Scriven Co.*, 168 Fed. 621, 626; *H. W. I. Co.* v. *N. Y. H. I. Co.*, 140 N. Y. 94. The unfair competition phase involves proof of fraud of some kind. Evidence along that line would open up a new phase entirely unconnected with the federal issue involved. The case would not be based on the same proof.

POINT III.

The plaintiffs have failed to allege a case in unfair competition.

The point raised by the plaintiffs is under any circumstances highly technical. The question before this court is whether or not the lower court lacked jurisdiction to permit proof of unfair competition. But the question still remains as to what would be the effect of a reversal here in view of the fact that the plaintiff has not alleged a case in unfair competition. A complaint, to be actionable must allege actual or probable confusion and deception of the public by reason of defendant's acts. *Illinois Watch-Case Co.* v. *Elgin Nat. Watch Co.*, 94 Fed. 667, 671; affirmed 179 U. S. 665; *Investor Pub. Co.* v. *Dobinson*, 72 Fed. 603; 38 Cyc. 894, E, 2. The only reference to unfair competition is in the amendment (par. 15th) of the complaint, which appears at page 16 of the Record, and alleges that the wrongful acts of the defendants "constitute unfair business practices and unfair competition against the complainants." The material allegations before that, recite that the plaintiffs wrote, copyrighted and are the proprietors of a play called "The Evil Hour"; that the play was submitted to the defendants Lewis and Harris; that Lewis and Harris produced "The Spider", which it is claimed was appropriated from "The Evil Hour"; that the defendants Oursler and Brentano represented themselves to be the authors of "The Spider", whereas they were not such authors; that "The Spider" contained a spiritualistic seance as was the case with "The Evil Hour"; that "The Spider" is an infringement; that the presentation of "The Spider" has irreparably injured the plaintiffs' property in "The Evil Hour"; that the acts of the defendants are wrongful. The conclusion is drawn that the acts of the defendants constitute unfair competition. There is not a word suggesting that the defendants attempted to pass off the play "The Spider" as one written by the plaintiffs, or that the public was likely to be deceived.

CONCLUSION.

The decree of the court below should be affirmed.

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